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ARE MULTIPLE DIRECTORSHIPS BENEFITS OR COSTS TO MALAYSIAN LISTED COMPANIES?

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ABSTRACT

The objective of the study is to examine the extent of multiple directorships or outside directorships in Malaysian public listed companies (PLC). The benefits and costs of monitoring roles are proxied by the percentage of meetings' attendance in board meetings. Attending meetings would provide directors with resources about the management decisions and would make them more effective in exercising their roles. The study uses a sample of 1023 directors from 134 companies in the Main Market of Bursa Malaysia in 2008. Results of the study show that the incidence of multiple directorships is low. Independent directors are found to have more multiple directorships as opposed to the executive directors who have the least number of multiple directorships. Directors with multiple directorships are older directors, have less director ownership and are in board with high fraction of independent directors. Based on the 75% cut-off for the percentage of meetings' attendance, the logistic regression shows that multiple directorships have the likelihood to attend less board meetings but the relationship is not significant. Instead the tendency to be absent from board meetings is associated with the high number of board meetings. The tendency to attend more board meetings is also shown to be associated with the increase in age, tenure, and director ownership. The findings somehow have policy implication on the corporate governance practices.

Field of Research: *Corporate governance, multiple directorships, board meetings attendance, firm performance, Malaysia.*

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1. INTRODUCTION

In the Corporate Governance Blueprint 2011, multiple directorships are one of the concerns whereby directors in the Malaysian public listed companies are recommended to hold the maximum number of five directorships. Prior to that, Minority Shareholders Watchdog Group (MSWG) in 2009 also suggested to limit the directorships of the independent directors to five directorships. This practice is not surprising

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because of the high limit of directorships allowable to directors. Section III of the Bursa Malaysia Practice Note no. 13 and Bursa Listings Requirements allow directors to have up to 25 directorships, 10 in public companies and 15 in non-public companies. The number is higher in Malaysia as compared to the U.S., where a director holding less than three multiple directorships is often considered as the best practice. “Busy directors” in the U.S. are defined as directors holding three or more directorships (Ferris, Jagannathan & Pritchard, 2003; Sarkar & Sarkar, 2009). However, in Malaysia, multiple directorships of independent directors are found to be common among listed firms (Haniffa & Cooke, 2002).

The effect of multiple directorships can be viewed from two perspectives. The first perspective, *Quality Hypothesis,* views multiple directorships as a proxy for high director quality (Fama, 1980; Fama & Jansen, 1983). Directors with multiple directorships by virtue of more networks are expected to generate benefits by helping to bring in needed resources, suppliers and customers to a company (Booth & Deli, 1996). They would have more experience and knowledge about industry. Directors who have experience in related strategies are expected to be more capable of contributing to strategic decision process (Ruigrok, Peck & Keller, 2006; Carpenter & Westphal, 2001). Another perspective, *Busyness Hypothesis*, assumes that directors who serve on multiple boards become so busy that they cannot monitor management adequately, which then leads to high agency costs. Accordingly, directors who serve on multiple boards would be overcommitted and as a consequence they tend to shirk their responsibilities.

Within corporate governance structure, outside directors have an important position to monitor the management and executive directors (Fama, 1980; Fama & Jensen, 1983). Outside directors function as the check and balance mechanism to enhance board’s effectiveness. They are expected to bring independence into the board and add to the diversity of skills and expertise of the directors (Abdullah, 2004). The role of outside directors in the BOD is also vital as business adviser and ‘watchdog’ to ensure managers act in the interests of outside shareholders. However, findings on the effectiveness of independent directors in monitoring roles are mostly found insignificant. Several studies have suggested that having excessive multiple directorships would have negative implication to firm performance (Haniffa & Hudaib, 2006; Jackling & Shirenjit, 2009), management oversight roles (Kamardin & Haron, 2011a), and strategic roles performed by the directors (Kamardin & Haron, 2011b).

Despite all the studies above, little knowledge is known about the extent of multiple directorships’ practices by different types of directors in public listed companies in Malaysia. How critical is the multiple directorships in Malaysia? Are the multiple directorships and directors’ absences in board meetings are significantly different between different types of directors? Do multiple directorships bring benefits or costs to the companies? Thus, one of the objectives of this study is to examine the extent of multiple directorships in Malaysian listed companies. The study is also intended to provide further evidence whether multiple directorships are indeed an emerging concern to corporate governance practices. Findings of the study are intended to extend the literature on the multiple directorships in Malaysia. These findings would provide some inputs to the accounting policy makers, regulators and researchers related to the current practices of multiple directorships and board characteristics in Malaysia.

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2. LITERATURE REVIEW

Board of directors plays significant roles to ensure the survival and success of a company. Directors observe managers to make sure that managers act on the interests of shareholders. In a concentrated ownership environment, such as in Malaysia, where substantial shareholders serve as managers, the role of directors also includes the protection of minority shareholders' interests. As an important internal mechanism to monitor managers' performance and to protect shareholders interests, Malaysian Corporate Governance Blueprint 2011 amplified that good corporate governance are the responsibility of board of directors who act as an active and responsible fiduciaries. The following sections provide literature review on the variables studied and hypotheses development of the director characteristics (multiple directorships, age, tenure, gender and director ownership), board characteristics (board size, independent directors and board meetings), and firm characteristics (firm size and firm profitability).

2.1 Attendance at board meetings

Attending board meetings is considered as one way board members can contribute to formulating and implementing of strategy roles and monitoring roles (Davies, 1991; Vafeas, 1999). Jiraporn, Davidson, DaDalt and Ning (2009) highlight the difficulty in measuring the link between multiple directorships and firm performance as it would require all possible exogeneous variables that affect the relation and proper modeling is required in tackling the endogeneity issues. They posit to study on the monitoring activity of directors. Even though monitoring activity is not easy to observe, proxy using directors absences in board meetings are suggested as directors exercise their roles in board meetings. The current study adopts method by Jiraporn et al. (2009) to proxy the monitoring roles. The benefits and costs of monitoring roles are proxied by the percentage of meetings' attendance in board meetings. Attending meetings would provide directors with resources about the management decisions and would make them more effective in exercising their roles.

2.2 Multiple directorships

Multiple directorships or outside directorships refer to the number of external appointments held by corporate directors (Ferris et al., 2003). Haniffa and Hudaib (2006) define multiple directorships as directors sitting on more than one board. According to the 'quality hypothesis', directors with more multiple directorships are expected to have more exposure on certain tasks and procedures which can be implemented in another company, making board performance more effective because less transaction costs incurred (Beasey, 1996; Mohd Salleh et al., 2005; Sarkar & Sarkar, 2005; Tan, 2005). They are expected to provide effective monitoring. Directors who have experience in related strategies are expected to be more capable of contributing to strategic decision process (Carpenter & Westphal, 2001).

On the other hand, according to the 'busyness hypotheses', if directors have too many board assignments, they might dissipate their time and attention, thus undermining their ability to discharge their roles (Ferris et al. 2003; Haniffa & Hudaib, 2006; Murphy & McIntyre, 2007). Building up knowledge about the company and its industry is time intensive, thus directors with multiple directorships may

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have limited time on a company. Specifically, directors with multiple directorships may have less time to closely scrutinize the internal control system which leads to less effectiveness in monitoring the managers.

Jiraporn et al. (2009) examined the relationship between multiple directorships and directors' absences in the board and audit committee meetings. Based on 7261 observations from 1510 firms, the cut-off board meetings attendance at 75% (following the report by the Investor Responsibility Research Center, IRRC, which report whether a director attends at least 75%), they found that outside directorships lead to the likelihood of absence in meetings. Their results support the agency cost of multiple directorships.

Multiple directorships of directors are found negative and significantly related to the strategic roles (Kamardin & Haron, 2009) performed by directors. The result lends support for directors with less multiple directorships to provide more commitment to strategic roles. The result of the study is consistent with that of Carpenter and Westphal (2001) and Ruigrok et al. (2006) which highlight the concern of having directors with multiple directorships (Haniffa & Cooke, 2002). Lack of time and specific knowledge may constraint directors' involvement in strategic decision-making (Ruigrok et al., 2006). Thus, multiple directorships are expected to be associated with the high agency cost. With regards to the board meetings attendance, busy directors are expected to be less likely to attend board meetings.

H1: Directors with a large number of outside directorships are more likely to attend less board meetings.

2.3 Age and tenure

The knowledge acquired by BOD is assumed to improve the quality of actions taken. Previous studies in management used demographic characteristics such as age and tenure to proxy manager knowledge. Spliker and Prawitt (1995) associate relevant experience and knowledge on certain tasks developed from experience. Previous empirical studies have found CEO age is associated with CEO experience (Zander, 1994). Carpenter and Westphal (2001) provide evidence that BOD, having experience in a particular situation or having specific expertise, would be likely to affect their roles in monitoring managers and providing services to the board. Weir (1964) and Kirchner (1958) argue that the process of decision making and the quality of that decision depends on the age of decision maker. Age of manager can also have an effect on the selection and perspective on a strategic decision making (Wiersema & Bantel, 1992). Further, Mclntyre, Murphy and Mitchell (2007) and Taylor (1975) found that managerial age has a relationship with the performance of decision making and in turn will effect a company's growth. To remain longer in the board, directors have to show excellent performance in their roles. In order to develop all the skills and bring better cognitive resources to decision-making tasks older directors and longer tenure directors would be expected to attend more board meetings.

H2: Older directors are less likely to be absent from the board meetings.

H3: Longer tenure directors are less likely to be absent from the board meetings.

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2.4 Gender

Issue of gender is a concern in Malaysia. In the corporate governance blueprint 2011, greater diversity in the BOD including gender diversity is focused on. The concern is due to women are under-represented in the board which was about 7.5% of the total directors as compared to about 50% of them in the workforce (The Edge Financial Today, 4 May 2011). In addition Malaysia has about 23% of women in senior management level which are similar to the United States and higher than the UK (19%) (Grant Thorton International Business, 2007). In Asian countries, Malaysia is at the third place after Philippines (50%) and Thailand (39%). However, women on the board of top European companies have grown to 12% in 2010, from 8 % in 2004. The Women, Family and Community Development Ministry has put the policy target to have at least 30% women representation in the decision making position on the corporate sector by 2016. A study by Korn/Ferry International Asia Pacific (2011) using a sample of 100 domestic companies by market capitalization in Australia, Hong Kong, India, Malaysia, New Zealand and Singapore shows that more than 70% of the boards in these countries, except for Australia, have no female independent directors. Peterson and Philpot (2007) examines the roles of female directors of US Future 500 firms and shows that female directors are less likely to sit on executive committee and more likely to sit on public affairs committee. However, there is no gender bias in director assignment to other board committee. Several empirical studies have been conducted in relation to female directors and firm performace. Rose (2007) shows that there is no significant relationship between female board representation and firm performance (Tobin's Q) in Danish firms. However, Huse et al. (2009) reports that in relation to board effectiveness (i.e. board control tasks), the contribution of women is varied depending on the board tasks. Given directors' experience in corporate sectors, they are expected to contribute just like other male directors. Both male and female directors are expected to attend more meetings to participate in the decision making and play their roles accordingly.

H4: Male or female directors are less likely to be absent from the board meetings.

2.5 Directors' ownership

Directors' ownership provides direct incentives for directors to act in line with shareholders' interests as the wealth of the directors is tied to the performance of the firm (Jensen & Meckling, 1976; Brickley et al., 1988; Weisbach, 1988). Several studies such as Han and Suk (1998), Ang, Cole, and Lin (2000), Filatotchev et al. (2005), and Krivogorsky (2006) find that the presence of larger directors' ownership reduces agency costs and therefore increases performance. However, Fauzias et al. (1999), Chang (2003), and Lin, Huang and Young (2008) find that performance is negatively and significantly related to board ownership. Therefore, the results of the influence of board or director ownership on performance are mixed. The concentrated ownership in Malaysia which is controlled by managers and family members might have some implications on the decision making process of the board of directors. Thus, it is expected that directors with large shareholdings are more likely to attend board meetings.

H5: Directors with large shareholdings are less likely to be absent from the board meetings

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2.6 Board size

Larger board size would mean more resources are available to the board. Board members can share their expertise, knowledge and experience in the process of decision making (Pfeffer & Salancik, 2003). Uadiale (2010) proposes that companies should have larger board size since larger board can protect companies resources which are limited (Pearce & Zahra, 1992). Similarly, Dalton, Daily, Johnson and Ellstrand (1999) imply that large board size can increase the performance of companies because they have a connection with the external resources. However, Jensen (1993) and Yermack (1996) argue that agency problems exist when the size of the board increases as it is difficult to communicate, coordinate and make a decision and it also reduces the capability of the board to manage the organization. In the case of board meetings attendance, the agency cost created by larger board size would increase the likelihood to be absent from meetings as other directors are expected to attend.

H6: Board with large board size is more likely to have directors absent from the board meetings.

2.7 Independent directors

Independent directors play an important role in monitoring management (Fama, 1980; Fama & Jensen, 1983) and enhancing board's effectiveness. They are expected to bring independent views to the board and add to the diversity of skills and expertise of the directors (Abdullah, 2004). They also act as business advisers and 'watchdogs' to ensure managers act in the interests of outside shareholders. Recently there is a growing tendency of having a greater proportion of independent and non-executive directors to serve on the board. The existence of outside independent directors in the board of directors has been regarded to be so important that the Malaysian Securities Commission make it mandatory that at least 33 percent of the directors must be independent (Securities Commission, 2007). High percentage of independence is required because boards are less likely to exert control over management when they lack independence from the management (Carpenter & Westphal, 2001). For monitoring purposes, independent directors are expected to attend more board meetings in order to monitor management decisions and protect the shareholders interests.

H7: Board with more independent directors is less likely to have members absent from the board meetings.

2.8 Frequency of board meetings

Jensen (1993) argues that board in a well-functioning firm should be relatively inactive and exhibit few conflicts. In such firm, board performs routine board tasks. However, the role of corporate board becomes increasingly more important during crisis. As such, frequent board meetings are important as a way to respond to the tough years of operations. In most cases directors are also appointed as members of the board committees. With overcommitted work, directors having more outside directorships are expected to skip some meetings.

H8: Board with high frequency of meetings is more likely to have members absent from the board meetings.

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2.9 Firm size

Eisenberg, Sundgren and Wells (1998) reveal that agency problems in small size companies are minimal due to the ownership structure in this type of companies that are closely held. Agency problem in large companies are expected to be higher due to the separation of ownership and the process of decision making (Jensen & Meckling, 1976). Directors of larger firms are perceived to have more skills because of the size and complexity of the operations they oversee (Ferris et al., 2003). With the increased complexity in businesses, more experts are required to complement the management expertise. For monitoring purposes through board meetings attendance, directors in the large firm size are expected to have less meetings' attendance as their commitment to complement management expertise are much needed.

H9: Directors in large firm size are less likely to be absent from board meetings.

2.10 Firm performance

In terms of board process, attending board committee meetings are required to focus on specific issues especially when the companies are in poor performance which requires restructuring. Thus, expertise and knowledge of board members are highly demanded in strategic decision making, monitoring the strategy implementation and management control system, providing services to increase company reputation, and providing supplement resources to managers. In the case of companies facing major crisis, directors are expected to attend more meetings.

H10: Directors in companies with poor performance are less likely to be absent from board meetings

3. RESEARCH METHODOLOGY

3.1 Sample selection

Sample of the study is directors in the companies listed in the Main Market for the financial year end 2008. The year 2008 is chosen as it is the year immediately after the revision of MCCG in 2007. Finance companies, PN17 companies (distressed firms), REITS, closed-end fund, and exchange traded funds are excluded from the population. About 20% of companies are selected from each industry, resulting in a final sample of 134 companies. The sample of companies based on industry is reported in Table 3.1 below.

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Table 1: Sample companies based on industry

Industry	Frequency
Consumer Product (CP)	25
Industrial Product (IP)	48
Trading & Service (TS)	32
Technology (TECH)	4
Property (PROP)	8
Construction (CONST)	8
Plantation (PLNT)	9
Total	134

1023 directors are considered in this study consists of 443 (43.3%) independent directors, 207 (20.2%) non-independent non-executive directors or affiliated directors and 373 (36.5%) executive directors. Detail information of directors relating to the outside directorships in public listed companies, directors meetings' attendance, age, tenure, gender, director ownership, board size, type of directors, frequency of board meetings, total assets and ROA is gathered from the annual reports. Only outside directorships in public listed companies are considered in this study because not all companies provide information about the outside directorships in private companies.

3.2 Data analysis

Descriptive statistics for directors' characteristics, board characteristics and firm characteristics in study are analyzed. Detailed analysis of the significant differences between means was conducted to determine whether there are significant differences in multiple directorships and directors meeting attendance in relation to directors' characteristics, board characteristics and firm characteristics. Logistic regression analyses are conducted to examine the effect of directors' characteristics (outside directorship, age, tenure, and director ownership), board characteristics (board size and director type), and firm characteristics (firm size and firm performance) on directors' meeting attendance. The following model is used in the study:

$$DIRATTD = \beta_0 + \beta_1 OUTMD + \beta_2 AGE + \beta_3 TENURE + \beta_4 GENDER + \beta_5 DIROWN + \beta_6\ BSIZE + \beta_7 FRINDP + \beta_8\ BMEET + \beta_9 FSIZE + \beta_{10} FP + \varepsilon$$

Where:

DIRATTD	Director meeting attendance (1 for less than 75%, 0 otherwise)
OUTMD	Number of outside directorships
AGE	Age of individual director
TENURE	Tenure of individual director
GENDER	Gender (1 for male, 0 for female)
DIROWN	Percentage of individual director ownership, direct and indirect ownership
BSIZE	Board size; number of directors on the board
FRINDP	Fraction of independent directors
BMEET	Frequency of board meetings
FSIZE	Company size; natural log of total assets
FP	Firm performance as measured by ROA in 2007

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4. FINDINGS OF THE STUDY

4.1 Descriptive statistics

Table 2 reports the distribution of multiple directorships according to different types of director composition and directors' meetings attendance (categorized into two: attending less than 75% and 75% and more). There are 1023 observations on directorships, comprising of 443 independent directors, 207 non-independent non-executive directors, and 373 executive directors. For all directors, about 93.45% and 98.24% of directors have 0-3 and 0-5 outside directorships respectively. 61.15% of them have 0 outside directorship (or 1 directorship) while about 6.55% of the directors have more than three outside directorships. The results suggest that the occurrence of multiple directorships is considered low.

Outside directors are made up of two components: independent non-executive and non-independent non-executive (NINE) directors. For independent and NINE directors, 88.49% and 94.20% of them respectively have 0 to 3 outside directorships. Almost 98% of the independent directors have 0-5 outside directorships. About 51% of the independent directors and 55% of the NINE have one directorship. For the executive directors, about 98.93% have 0-3 outside directorships and about 78 % of them have one directorship, which shows that executive directors are more focused on their firms. This evidence also shows that executive directors are not distracted from their jobs as most of them only held the post of directors in the firms that they managed.

In term of director meetings attendance, 948 directors attended 75% and more of the board meetings whereby 61.29% and 17.93% of them have 0 and 1 outside directorship respectively. About 93.57% have 0-3 outside directorships. 75 directors attended less than 75% of the board meetings with 65.33% and 17.33% have 0 and 1 outside directorship respectively. The results somehow show that the occurrence for attending less than 75% and 75% and above for the number of outside directorships (0 and 1) are not much difference.

Table 2: Distribution of outside directorships

Number of outside directorships	All directors	Independent directors	Non-independent non-executive directors	Executive directors	Director meetings attendance	
					Less than 75%	75% and more
0	630 (61.58%)	227 (51.24%)	115 (55.56%)	288 (77.21%)	49 (65.33%)	581 (61.29%)
1	183 (17.89%)	85 (19.19%)	42 (20.29%)	56 (15.01%)	13 (17.33%)	170 (17.93%)
2	103 (10.07%)	58 (13.09%)	25 (12.08%)	20 (5.36%)	5 (6.67%)	98 (10.34%)
3	40 (3.91%)	22 (4.97%)	13 (6.28%)	5 (1.34%)	2 (2.67%)	38 (4.01%)
4	28 (2.74%)	21 (4.74%)	7 (3.38%)	0 (0.00%)	1 (1.33%)	27 (2.85%)
5	21 (2.05%)	18 (4.06%)	1 (0.48%)	2 (0.54%)	2 (2.67%)	19 (2.00%)
6	8 (0.78%)	5 (1.13%)	2 (0.97%)	1 (0.27%)	3 (4.00%)	5 (0.53%)
7	6 (0.59%)	4 (0.90%)	2 (0.97%)	0 (0.00%)	0 (0.00%)	6 (0.63%)

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8	2 (0.20%)	1 (0.23%)	0 (0.00%)	1 (0.27%)	0 (0.00%)	2 (0.21%)
9	2 (0.20%)	2 (0.45%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	2 (0.21%)
Total	1023	443	207	373	75	948

Table 3 reports the t-test analysis of outside directorships and percentage of director meetings' attendance based on type of directors. For the outside directorships the difference in means between independent directors and others (NINE and executive directors) is statistically significant at 1%. This means that independent directors have more outside directorships compared to others. The difference in means between executive directors and outside directors is also statistically significant at 1%. The result shows that executive directors have less outside directorships compared to others. For the director meetings' attendance, NINE and executive directors are significantly difference at 1%. NINE attended less meetings compared to others while executive directors attended more meetings compared to others. However, the difference in means for meetings' attendance between independent directors and others is not statistically significant at five-percent.

Table 3: t-test analysis of outside directorships and percentage of director meetings' attendance based on type of directors

Type of directors	N	Outside directorships		Director meetings' attendance (%)	
		Mean	t-statistics	Mean	t-statistics
Independent directors (INDP):			6.710***		-.196
1 for independent directors	443	1.19		93.62	
0 for otherwise	580	0.56		93.78	
Non-independent non-executive directors (NINE):			1.006		-3.143***
1 for NINE directors	207	0.92		90.97	
0 for otherwise	816	0.81		94.40	
Executive directors (EXEC):			-9.511***		3.192***
1 for executive directors	373	0.36		95.33	
0 for otherwise	650	1.10		92.77	

Table 4 summarizes statistics of relevant variables. Based on the final sample of 1023 directors, the average outside directorships in public listed companies is 0.88 with the minimum of 0 and maximum of 9 (i.e. 10 directorships). On average, directors' age for the sample is 56 with the minimum of 26 years and maximum of 88 years. The average length of tenure serving the board is 9 years with the maximum serving of 46 years. The average shareholdings of all directors are 82.76%. The distribution for age, tenure, director shareholdings and board size is larger with the standard deviation of 10.681, 7.399, 16.919, and 2.099 respectively. The average board size is about 8 with a minimum of 4 members and a maximum of 15 members. The average fraction of independent directors is 0.43 which is higher than

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0.33 as proposed by the MCCG Code. The average fraction of NINE and executive directors are 0.36 and 0.21 respectively. The average number of board meetings is 5 with the minimum of 2 and maximum of 17 meetings. The average size of the sample companies as measured by total assets in 2008 is RM2,020,000,000 and the average firm performance as measured by ROA in 2007 is 0.081.

Table 4: Descriptive statistics

	Mean	Median	Min	Max	SD
OUTMD	0.83	0.00	0	9	1.431
AGE	56.41	56	26	88	10.681
TENURE	9.32	7.50	1	46	7.399
GENDER	0.92	1.00	0	1	0.273
DIROWN (%)	8.26	0.01	0.00	82.76	16.919
BSIZE	8.15	8	4	15	2.099
FRINDP	0.43	0.43	0.25	0.80	0.111
FRNINE	0.36	0.38	0.00	0.67	0.174
FREXEC	0.21	0.20	0.00	0.57	0.154
BMEET	5.39	5	2	17	1.995
FSIZE	2,020,000,000	463,576,000	32,252,896	35,972,700,000	5,196,000,000
FP	0.081	0.071	-0.48	1.24	1.161

OUTMD is the number of outside directorships; AGE is the individual age of director; TENURE is years of service in the board; GENDER is 1 for male and 0 for female; DIROWN is the percentage of direct and indirect shareholding; BSIZE is number of board members; FRINDP is number of independent directors divided by board size; FRNINE is number of affiliated directors divided by board size; FREXEC is number of executive directors divided by board size; BMEET is number of board meetings held; FSIZE is proxied by total assets which then transformed into natural log; FP is proxied by return on assets (EBIT/total assets) in 2007.

Table 5 shows that there are significant differences in mean of the director meetings' attendance between the two groups (i.e. DDIRTD = 0, DDIRTD = 1) for age, tenure, director ownership, fraction of executive directors, and frequency of board meetings. Directors attended 75% and more (0) are older, have longer tenure, and have more shareholdings. However, directors attended less than 75% (1) have more fraction of executive directors and more numbers of board meetings.

Table 5: Analysis of director meetings' attendance for all independent variables

	Mean (DDIRATTD =0)	Mean (DDIRATTD = 1)	t-statistics
OUTMD	0.83	0.81	0.103
AGE	56.67	53.03	2.554**
TENURE	9.55	6.37	4.183***
GENDER	0.92	0.89	0.746
BSIZE	8.12	8.53	-1.469
DIROWN	8.64	3.37	3.833***
FRINDP	0.43	0.42	0.789
FRNINE	0.37	0.33	1.595
FREXEC	0.20	0.24	-1.789*
BMEET	5.34	6.05	-2.438**
FSIZE	2,040,000,000	1,760,000,000	0.043
FP	0.08	0.07	0.235

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4.2 Logistic regression analysis

Table 6 reports results of the logistic regression. For this analysis, two outlier directors are excluded based on the Z residuals are higher than 3.0. Dependent variable is director meetings attendance (DDIRATTD) in dichotomous value, 1 for attending less than 75% and 0 for attending 75% and above. The McFadden R2 and the Nagelkerke R2 are 8.90% and 11.20% respectively and the Chi-square is significant at 1%. The percentage correct of classification is at 92.8%. Results show that the estimated coefficient of outside directorships is positive but not statistically significant. This means that directors with high number of outside directorships are not likely to be absent from the meetings. The result does not support the hypothesis (H1).

Age, tenure and director shareholdings have negative estimated coefficients and are significant at 5%, 1% and 5% respectively. These mean that older directors and longer tenure directors are more likely to attend meetings. Directors with large shareholdings are more likely to attend meetings. The results support the hypotheses (H2, H3, and H5). However, board with increasing number of board meetings is likely to have directors to attend less meetings (H8). The results also show that gender, board size, fraction of independent directors, firm size and firm performance are not related to the tendency of directors to attend board meetings.

Table 6: Logistic regression analysis

	β (Wald statistics)
Intercept	1.646 (0.841)
OUTMD	0.082 (0.850)
AGE	-0.033** (6.056)
TENURE	-0.087*** (8.181)
GENDER	-0.332 (0.649)
DIROWN	-0.028** (4.479)
BSIZE	0.104 (2.669)
FRINDP	-1.230 (0.848)
BMEET	0.136** (5.708)
FSIZE	-0.125 (1.492)
FP	-0.214 (0.082)
N	1021
Chi-Square	47.087 (df = 10) ***
Cox & Snell R^2	4.50%
Nagelkerke R^2	11.20%
Mc Fadden R^2	8.90%
Hosmer & Lemeshow	8.71 (df = 8)
Percentage correct	92.8%

***, **, * represent statistical significance at the 1%, 5% and 10% level respectively.

Considering the high mean for meeting attendance in the sample, an analysis using the 80% cut-off for the categorization of percentage of meetings attendance into DDIRATTD (1 for less than 80%, 0

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otherwise) is also conducted. Results show that the same significant variables (AGE, TENURE, DIROWN, and BMEET) remain.

5. DISCUSSION AND CONCLUSION

The main objective of the study is to provide evidence on the effect of multiple directorships on the monitoring roles, which are a concern in the Corporate Governance Blueprint 2011, to reduce the number of multiple directorships. Results of the study indicate that multiple directorships in Malaysia is low where most of the directors have additional outside directorships between 0 – 3, with independent directors have more outside directorships and executive directors have less number of directorships. Logistic regression analysis shows that somehow directors with multiple directorships have the likelihood to be absent from the board meetings. Even though the result does not support that high number of multiple directorships have effect on the monitoring roles as proxied by the meetings' attendance, the result somehow indicates that the number of multiple directorships does matter (i.e with the positive relationship to attend less board meetings). The positive relationship of multiple directorships in our study somehow supports the current governance practices to reduce the number of directorships. The concern in multiple directorships is possibly not about the number of multiple directorships but the characteristics of directors having multiple directorships. Further analysis on the correlation between multiple directorships with other director characteristics, board characteristics and firm characteristics was conducted to examine the matter. The analysis indicates that directors with multiple directorships are older directors and have less shareholding in the company. In term of board characteristics, directors with multiple directorships are found in the board with high fraction of independent directors. The findings somehow indicate the potential problems related to multiple directorships concerning the less direct incentives for directors to act in line with shareholders' interests and the busyness of independent directors would reduce the effectiveness in monitoring roles.

In addition, the result of insignificant relationship between independent directors and meeting attendance is somewhat similar with previous studies in relation to firm performance. Thus, the effectiveness of independent directors in relation to monitoring roles is an issue and it is in line with the concern of the MSWG and other regulative bodies. The result is also different from Jiraporn et al. (2009) which reports that high fraction of independent directors has the likelihood to attend more meetings.

The positively significant relationship between director shareholding supports the role of director shareholdings to align the interests of directors with the interests of other shareholders. The result is different from Jiraporn et al. (2009) which reports the insignificant relationship. The concentrated ownership in Malaysia may lead to this result as shown that sample of the study has higher director shareholdings.

The results also show that older directors and directors with longer tenure are more likely to attend meetings. The significant relationship of age and tenure suggests that experience may influence monitoring roles. However, the sample of the study also indicates that older directors have more outside directorships. Further analysis shows that older directors are correlated with independent directors. From the busyness perspective, this result shows that older directors may be busy that they may not play their roles effectively. However, one possible reason why older directors may have more multiple directorships is that older directors are potentially outside directors who may have reach the

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retirement age and can provide more commitment to attending board meetings. In addition, their experience in board tasks would assist them in executing their monitoring roles more effectively.

6. LIMITATION AND FUTURE RESEARCH

This study has several limitations. Firstly, this study is cross-sectional in nature, therefore, it cannot present the changes in director and board characteristics over the years and whether the findings are significant for the other years. Future research should use a longitudinal study to cater this issue. Secondly, this study does not consider the endogeneity effect between the outside directorships and meetings' attendance because of the difficulty in determining the exogeneous variables. Considering this issue would provide assurance that results of the study are not affected by simultaneity. Thirdly, this study only considers outside directorships from the public listed companies. As outside directorships in private companies are at voluntary basis, not all companies disclose the information. Future research should consider outside directorships of directors in private companies to get robust results.

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